

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 BELGRADE 5356

E. O. 11652: GDS

TAGS: MASS, MPOL, XX

SUBJ: SECURITY ASSISTANCE REPORTING REQUIREMENTS

REF: (A) STATE 167901, (B) STATE 168320, (C) STATE 182987

1. THE MESSAGE RESPONDS TO THE REQUIREMENT LEVIED REFTELS TO PROVIDE THE FIRST ANNUAL INTEGRATED ASSESSMENT OF SECURITY ASSISTANCE TO YUGOSLAVIA. WE UNDERSTAND THAT BELGRADE IS REQUIRED TO RESPOND TO ITEMS LISTED REF A PARA 3(A)(1)(2)(3)(4)(5)(6)(11) AND (12) ONLY. WE TRUST DEPARTMENTS OF STATE AND DEFENSE UNDERSTAND THAT THE SITUATION OF YUGOSLAVIA AND OUR SPECIAL INTERESTS IN THIS COUNTRY WILL BE REFLECTED IN OUR REPORT, WHICH WILL IN SOME INSTANCES PROBABLY APPEAR QUITE DIFFERENT IN SUBSTANCE AND FORMAT FROM REPORTS PROVIDED ON OTHER MORE TYPICAL SECURITY ASSISTANCE RECIPIENTS.

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2. FOLLOWING RESPONSES ARE KEYED TO PARAGRAPH 3(A) REF A.

PARA 3(A) (1) REQUIREMENT:

WHAT U.S. INTERESTS ARE SERVED BY A SECURITY ASSISTANCE RELATIONSHIP WITH YUGOSLAVIA, AND WHAT ARE OUR SPECIFIC

SECURITY ASSISTANCE OBJECTIVES?

RESPONSE:

THE PRINCIPAL US POLICY INTEREST WITH REGARD TO YUGOSLAVIA, AS OUTLINED IN VARIOUS POLICY STATEMENTS OVER THE PAST YEARS, IS TO DEMONSTRATE US RESPECT AND SUPPORT FOR YUGOSLAVIA'S INDEPENDENCE FROM THE SOVIET BLOC, AND FOR ITS TERRITORIAL INTEGRITY. WE HAVE THEREFORE DETERMINED THAT A MAJOR ELEMENT IN ACHIEVING THIS WILL BE TO ESTABLISH A NEW U.S. MILITARY SUPPLY RELATIONSHIP. WE SEEK TO ENSURE TO THE EXTENT WITHIN OUR MEANS THAT THE YUGOSLAV MILITARY ESTABLISHMENT IS SUFFICIENTLY WELL EQUIPPED AND SUPPLIED WITH MODERN MEANS OF DEFENSE TO DETER SOVIET ADVENTURISM, ESPECIALLY IN A POST-TITO CRISIS SITUATION, AND IF CALLED UPON TO FIGHT, THAT IT CAN DO SO EFFECTIVELY.

TO THIS END THE UNITED STATES ALSO SEEKS TO ASSESS AND ANALYZE THOSE INTERNAL FORCES AND ELEMENTS WHICH WILL PLAY A SIGNIFICANT ROLE IN DETERMINING THE COURSE OF POST-TITO YUGOSLAVIA, INCLUDING THE MILITARY, AND SEEKS TO DEVELOP CONTACTS AND INFLUENCE WITH THEM. WE ALSO SEEK TO WORK WITH OTHER MAJOR WESTERN COUNTRIES TO GEAR OUR POLICIES TO BUILDING BILATERAL RELATIONSHIPS WITH YUGOSLAVIA WHICH WILL SURVIVE TITO'S PASSING AND STRENGTHEN TIES TO THE WEST, INCLUDING MILITARY TIES.

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OUR SPECIFIC SECURITY ASSISTANCE OBJECTIVES INCLUDE:

(A) ASSISTANCE ON MODERNIZATION OF YUGOSLAV DEFENSIVE FORCES TO PROVIDE A CREDIBLE DEFENSE POSTURE, AND REDUCE GOY DEPENDENCE UPON ITS MAJOR FOREIGN SUPPLIER THE USSR.

(B) ASSISTANCE TO THE GOY IN MODERNIZATION OF ITS COMMUNICATIONS AND COMMAND AND CONTROL SYSTEMS.

(C) RESPONSE TO YUGOSLAV REQUESTS FOR ASSISTANCE IN LOGISTICS AND MUNITIONS REQUIREMENTS.

3. PARA 3(A) (2) REQUIREMENTS:

DESCRIBE THE THREAT, BOTH EXTERNAL AND INTERNAL PERCEIVED BY YUGOSLAVIA, AND THE COUNTRY'S STRATEGIES TO MEET THAT THREAT.

RESPONSE:

THAT YUGOSLAVIA PERCEIVES A SUBSTANTIAL EXTERNAL MILITARY THREAT IS EVIDENT FROM THE SIZE OF THE MILITARY ESTABLISHMENT MAINTAINED; AND THAT THE PERCEIVED THREAT IS PRIMARILY FROM THE

SOVIET UNION AND ITS WARSAW PACT CLIENTS CAN EASILY BE
CONCLUDED FROM YUGOSLAVIA'S HISTORY SINCE WW II, AND THROUGH
ANALYSIS OF ITS INTERNATIONAL POLITICAL SITUATION. HOWEVER,
THIS SUBJECT IS NOT DISCUSSED OR WRITTEN ABOUT FOR PUBLIC
CONSUMPTION, NOR HAS US-YUGOSLAV MILITARY RELATIONSHIP YET
DEVELOPED TO THE POINT WHERE YUGOSLAVS WILL OFTEN DISCUSS THIS
WITH US, EVEN OFF THE RECORD.

WE CAN HOWEVER CONCLUDE WITH CONFIDENCE THAT WHAT WORRIES THE
YUGOSLAVS MOST IS MASSIVE MILITARY INTERVENTION BY THE USSR
SUPPORTED BY PACT FORCES. THE STRATEGY TO MEET THIS THREAT IS
TO DETER IT, THROUGH "TOTAL PEOPLES' DEFENSE," INVOLVING
REGULAR YUGOSLAV MILITARY FORCES (THE JNA), RESERVES,
TERRITORIAL DEFENSE FORCES, AND THE CIVIL DEFENSE ORGANIZATIONS.
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THE YUGOSLAVS BEND EVERY EFFORT TO PERSUADE FOREIGN OBSERVERS
THAT IN THE EVENT OF EXTERNAL MILITARY INTERVENTION, THE
YUGOSLAV ARMED FORCES WILL BE BACKED BY THE TOTAL POPULATION IN
A DEFENSE OF EVERY SQUARE MILE OF YUGOSLAV TERRITORY. THE
YUGOSLAV OBJECTIVE IS TO DEVELOP DEFENSE FORCES CAPABLE OF
EXACTING AN EXTREMELY HIGH PRICE FROM ANY INVADER AND ENSURING
THE MAINTENANCE OF ORGANIZED GOVERNMENT AND RESISTANCE ON
THE TERRITORY OF YUGOSLAVIA FOR A SUFFICIENT TIME TO ENABLE
INTERNATIONAL PRESSURES TO BE BROUGHT TO BEAR ON THE INVADER
(THE USSR), AND/OR FOR ASSISTANCE TO ARRIVE FROM THE WEST AND
"NON-ALIGNED."

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THERE IS NO CURRENT DOMESTIC INSURGENCY OR OTHER "INTERNAL" THREAT WHICH INVOLVES THE YUGOSLAV ARMED FORCES IN ANY FASHION. PRESIDENT TITO HAS HOWEVER MADE IT CLEAR THAT IN THE EVENT OF AN INTERNAL CRISIS THREATENING YUGOSLAV INDEPENDENCE OR TERRITORIAL INTEGRITY (OR THE LEADING ROLE OF THE PARTY), HE WOULD NOT HESITATE TO CALL ON THE ARMED FORCES TO RESORE AUTHORITY OF THE PARTY AND CENTRAL GOVERNMENT. IN OUR VIEW, SUCH AN INTERNAL CRISIS IS UNLIKELY TO ARISE UNLESS IN CONJUNCTION WITH EXTERNAL EVENTS WHICH WOULD IN FACT BRING YUGOSLAVIA'S CONTINUED EXISTENCE INTO QUESTION. IN THAT EVENT, THE YUGOSLAV ARMED FORCES COULD BE EXPECTED LOYALLY TO CARRY OUT TITO'S ORDERS (OR IN HIS ABSENCE THOSE OF THE CENTRAL AUTHORITY) TO DEFEND THE EXISTING STATE/PARTY SYSTEM.

4. PARA 3(A) (3) REQUIREMENT:

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DESCRIBE THE MISSION'S PERCEPTION OF THE THREAT IF IT DIFFERS FROM WHAT IT UNDERSTANDS TO BE YUGOSLAVIA'S ESTIMATES.

RESPONSE:

OUR PERCEPTION OF THE THREAT COINCIDES WITH WHAT WE UNDERSTAND TO BE THE YUGOSLAV PERCEPTION.

5. PARA 3(A) (4) REQUIREMENT:

DESCRIBE THE TYPE OF MILITARY ESTABLISHMENT YUGOSLAVIA BELIEVES SUITED TO MEET ITS REQUIREMENTS AND THE PRESENT THREAT.

RESPONSE:

THE MILITARY ESTABLISHMENT IN YUGOSLAVIA INCLUDES THE REGULAR ARMED FORCES, RESERVES, TERRITORIAL DEFENSE FORCES, AND CIVIL DEFENSE. THIS TOTAL DEFENSE CONCEPT IS CONSIDERED BY THE GOY TO BE ITS MOST EFFECTIVE DETERRENT AGAINST AN EXTERNAL THREAT. THE YUGOSLAV PEOPLES ARMY, AS THE BEST EQUIPPED COMPONENT OF ALL-PEOPLES DEFENSE, IS DEEMED CAPABLE OF FIGHTING A DELAYING ACTION AGAINST A STRONG WARSAW PACT FORCE, IN ORDER TO PROVIDE THE

SEVERAL DAYS NECESSARY FOR MOBILIZATION AND REGROUPING IN THE MOUNTAINOUS AREAS. DUE TO THE OVERWHELMING SUPERIORITY OF THE PERCEIVED THREAT, THE MAINTENANCE OF A RELATIVELY SMALL, RUGULAR ARMED FORCE, COMBINED WITH THE TOTAL DEFENSE CONCEPT EMBRACING SEVERAL MILLIONS OF POTENTIAL RESISTANCE FORCES, PROVIDES THE GOVERNMENT OF YUGOSLAVIA WITH THE MOST CREDIBLE MILITARY ESTABLISHMENT POSSIBLE TO MEET THE COUNTRY'S REQUIREMENTS AND THE THREAT.

6. PARA 3(A) (5) REQUIREMENT:

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ASSESS THE FORCES DISCUSSED ABOVE IN RELATION TO US INTERESTS AND ALTERNATIVES.

RESPONSE:

THE DEFENSE FORCE STRUCTURE MAINTAINED BY THE GOY IS COMPATIBLE WITH U.S. INTERESTS IN THE BALKANS, IN THAT IT POSES NO SERIOUS THREAT TO ITS NEIGHBORS IN VIEW OF THE DEFENSIVE POSTURE OF ITS FORCES AND EQUIPMENT, WHILE AT THE SAME TIME PROVIDING A DETERENT TO SOVIET ADVENTURISM. U.S. INTERESTS ARE THUS WELL SERVED BY A SECURITY ASSISTANCE PROGRAM (FMS), DESIGNED TO INCREASE THAT DETERRENCE AND TO REDUCE YUGOSLAV DEPENDENCE ON THE SOVIET UNION FOR HIGH TECHNOLOGY ITEMS.

7. PARA 3(A) (6) REQUIREMENT:

ANALYZE DEFENSE SPENDING ON THE ECONOMY AS A WHOLE TOGETHER WITH RELEVANT DATA ON: DEFENSE EXPENDITURES; DEFENSE EXPENDITURES AS A PERCENT OF BUDGET AND OF GNP; MILITARY IMPORTS AS A PERCENT OF TOTAL IMPORTS; AND FOREIGN EXCHANGE OR DEBT-SERVICING PROBLEMS, IF ANY.

RESPONSE:

THE 1976-1980 FIVE YEAR PLAN CALLS FOR DEFENSE SPENDING TO TOTAL 6.17 PERCENT OF NATIONAL INCOME. IN 1977 THE FEDERAL BUDGET SET ASIDE 38.138 BILLION DINARS (APPROXIMATELY DOLLARS 2.118 BILLION) FOR NATIONAL DEFENSE. IN 1978, THIS ALLOCATION INCREASED BY 12 PERCENT TO 42.679 BILLION DINARS (ABOUT DOLLARS 2.36 BILLION). THIS IS NOT A REAL INCREASE, BUT REPRESENTS THE EFFECT OF INFLATION. THIS REPRESENTS 53 PERCENT OF THE 1978 FEDERAL BUDGET.

(UNDER THE YUGOSLAV SYSTEM MANY ITEMS OFTEN COVERED IN THE FEDERAL BUDGET IN OTHER COUNTRIES ARE INCLUDED IN REPUBLICAN BUDGETS. HENCE, MILITARY EXPENDITURES AS A PERCENTAGE OF THE FEDERAL BUDGET WILL BE HIGHER THAN WOULD BE THE CASE IF ALL
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NATIONAL-TYPE EXPENDITURES WERE INCLUDED IN THE FEDERAL BUDGET.)

BESIDES THIS DIRECT FUNDING, EVERY ENTERPRISE AND GOVERNMENT AGENCY IS REQUIRED TO SET ASIDE CERTAIN FUNDS FOR CIVIL DEFENSE ACTIVITIES. THE MOST COMMON PERCENTAGE IS AROUND .03 PERCENT TO .05 PERCENT OF TOTAL EXPENDITURES FOR GOVERNMENT AGENCIES.

THE VALUE OF DIRECT IMPORTS OF MILITARY EQUIPMENT IS NOT PUBLISHED INFORMATION. ONE METHOD TO APPROACH THIS QUESTION IS TO LOOK AT THE VALUE OF IMPORTS "NOT ATTRIBUTED" TO ANY ONE REPUBLIC AND NOT DEFINED AS TO CONTENT. IN 1976 THIS TOTALLED DOLLARS 669.6 MILLION OR 9.1 PERCENT OF ALL YUGOSLAV IMPORTS. ABOUT HALF OF THSI AMOUNT OF DOLLARS 303.3 MILLION COMES FROM CEMA COUNTRIES, WITH THE SOVIET UNION SUPPLYING AROUND DOLLARS 100 MILLION. PRESUMABLY MOST OF THIS "NOT ATTRIBUTED" CATEGORY IS MILITARY SALES, BUT WE HAVE NO CONCRETE PROOF OF THIS.

EVEN ASSUMING THE FIGURES IN THE ABOVE PARAGRAPH ARE ALL MILITARY SALES, THEY WOULD ONLY REPRESENT 9.1 PERCENT OF ALL YUGOSLAV IMPORTS AND WHILE SIGNIFICANT, ARE NOT AN EXTREME BURDEN ON THE YUGOSLAV CURRENT ACCOUNT.

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8. PARA 3(A) (11) REQUIREMENT:

ASSESS HUMAN RIGHTS DEVELOPMENTS IN YUGOSLAVIA AS THEY RELATE TO THE SECURITY ASSISTANCE PROGRAM, INCLUDING RECOMMENDATIONS HOW THE PROGRAM SHOULD BE FORMULATED AND CONDUCTED TO BEST PROMOTE AND ADVANCE US HUMAN RIGHTS OBJECTIVES.

RESPONSE:

WE FIND NO DIRECT RELATIONSHIP BETWEEN THE HUMAN RIGHTS SITUATION IN YUGOSLAVIA AND THE SECURITY ASSISTANCE PROGRAM, EXCEPT IN SO FAR AS ACHIEVING OUR OBJECTIVES IN THAT PROGRAM WILL SERVE TO PROMOTE CONTINUED YUGOSLAV INDEPENDENCE OF SOVIET CONTROL AND INFLUENCE. EVEN IN A NON-CRISIS SITUATION, A YUGOSLAVIA WHICH LACKED THE SELF-CONFIDENCE PROVIDED BY A VIABLE CAPABILITY TO DEFEND ITSELF, AND WHICH THEREFORE FELT VULNERABLE
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TO SUBVERSION OR OUTRIGHT MILITARY PRESSURE FROM THE USSR, WOULD LIKELY REVERT TO STRICTER INTERNAL CONTROLS WITH ATTENDANT INCREASED DEPRIVATION OF HUMAN RIGHTS. IN A CRISIS SITUATION, THIS TENDENCY WOULD OF COURSE BE EVEN MORE PRONOUNCED, NOT TO MENTION THE REVERSION TO EXTREME POLICE STATE METHODS WHICH WOULD CERTAINLY ACCOMPANY ANY RETURN TO THE SOVIET FOLD.

IT SHOULD ALSO BE KEPT IN MIND THAT THE YUGOSLAV MILITARY DOES NOT PLAY A DAY-TO-DAY ROLE IN INTERNAL SECURITY MATTERS IN YUGOSLAVIA, NOR WOULD WE EXPECT IT TO DO SO UNLESS A SERIOUS INTERNAL OR EXTERNAL CRISIS DEVELOPED. EVEN IN THAT EVENT, THE EQUIPMENT AND CAPABILITIES LIKELY TO BE PROVIDED BY THE U.S. IN THE COMING YEARS -- LARGELY ADVANCED TECHNOLOGY ITEMS LIKE MISSILE SYSTEMS AND ELECTRONICS -- ARE NOT LIKELY TO PROVE USEFUL IN MAINTAINING DOMESTIC ORDER. WE THEREFORE BELIEVE THAT US HUMAN RIGHTS OBJECTIVES ARE FULLY COMPATIBLE WITH THE MILITARY ASSISTANCE OBJECTIVES SET FORTH IN PARA 3(A) (1) ABOVE. HOWEVER, IN THE UNLIKELY EVENT WE SHOULD BE ASKED FOR EQUIPMENT WHICH WOULD SERVE PRIMARILY TO ENHANCE THE POLICE CAPABILITIES OF THE GOY AS DISTINCT FROM ITS MILITARY CAPABILITIES, WE WOULD OF COURSE CAREFULLY REVIEW THE SITUATION.

9. PARA 3(A) (12) REQUIREMENTS:

SUMMARIZE ECONOMIC AND MILITARY ASSISTANCE FROM OTHER COUNTRIES.

RESPONSE: ECONOMIC

(A) GRANTS. THE ONLY ONES KNOWN TO THE EMBASSY ARE VERY SMALL AMOUNTS PROVIDED BY SOME WESTERN EUROPEAN COUNTRIES TO ASSIST IN THE RETURN OF GUEST WORKERS.

(B) TECHNICAL ASSISTANCE. THIS MAY EXIST ON AN INDIVIDUAL
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PROJECT BASIS, BUT NOT AS A MEDIUM OR LONG-TERM POLICY. FOR EXAMPLE, WE HAVE HEARD THAT THE AUSTRIANS ARE HEAVILY INVOLVED IN PLANNING FOR THE 1984 OLYMPICS IN SARAJEVO. THERE ARE ENGINEERS AND CONTRUCTION TYPES HERE FROM VARIOUS COUNTRIES IN RELATION TO SALES OF SPECIFIC EQUIPMENT FROM THOSE COUNTRIES.

(C) LOANS.

(1) AT PRESENT YUGOSLAVIA HAS AROUND DOLLARS 10 BILLION IN ALL FORMS OF EXTERNAL DEBT - BOTH PUBLIC AND PRIVATE. AROUND 15 PERCENT TO 18 PERCENT OF THIS DEBT IS TO EASTERN EUROPE, PARTICULARLY THE SOVIET UNION. THE CEMA INTERNATIONAL INVESTMENT BANK HAS JUST MADE ITS FIRST LOAN TO YUGOSLAVIA AS WELL, TOTALLING AROUND DOLLARS 50 MILLION. THESE EASTERN EUROPEAN LOANS ARE ON BETTER TERMS AND FOR LONGER PERIODS THAN THE WESTERN HARD CURRENCY LOANS.

(2) THE US EXIMBANK CONSIDERS ITS EXPOSURE IN YUGOSLAVIA TO BE SLIGHTLY OVER DOLLARS 800 MILLION. OUTSTANDING LOANS FROM THE WORLD BANK NOW TOTAL AROUND DOLLARS 1.5 BILLION. THE INTERNATIONAL FINANCIAL CORPORATION HAS LET TO YUGOSLAVIA AS WELL, ALTHOUGH IN MUCH MORE MODEST AMOUNTS. THE EUROPEAN INVESTMENT BANK HAS LENT AROUND DOLLARS 80 MILLION TO YUGOSLAVIA FOR ROADS AND A POWER TRANSMISSION NETWORK.

(3) THE YUGOSLAV COMMERCIAL BANKS HAVE BEEN VERY ACTIVE IN THE WESTERN CAPITAL MARKETS. THIS INCLUDES THE EURO-BOND MARKET, THE EURO-DOLLAR MARKET, THE JAPANESE BOND MARKET, AND THE U.S. CAPITAL MARKETS. THEY HAVE ALSO BORROWED FROM SEVERAL MIDDLE EASTERN COUNTRIES, PARTICULARLY KUWAIT.

BESIDE THE U.S., OTHER COUNTIRES WHOSE COMMERCIAL BANKS HAVE A HIGH EXPOSURE IN YUGOSLAVIA INCLUDE WEST GERMANY, FRANCE, ITALY AND GREAT BRITAIN. MOST OF THE COMMERCIAL BANK LOANS ARE FOR 5 TO 7 YEARS AT INTEREST RATES ABOUT 1-1/4 TO 1-3/4 ABOVE LIBOR (LONDON INTER-BANK OFFERING RATE). WHILE THESE
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LOANS ARE MADE USUALLY WITHOUT ANY GOVERNMENT FORMAL GUARANTEE, THE STRONG MORAL COMMITMENT OF THE YUGOSLAV GOVERNMENT IS A MAJOR FACTOR IN THE LOANS.

RESPONSE: MILITARY:

THE MAJOR SOURCE OF MILITARY ASSISTANCE TO THE GOY CONTINUES TO BE THE USSR. THE GOY IS DEPENDENT UPON THE SOVIET UNION FOR AIR DEFENSE AIRCRAFT, SAMS, AND A LARGE PERCENTAGE OF AIR DEFENSE RADAR. ADDITIONAL MILITARY EQUIPMENT IS ALSO OBTAINED FROM VARIOUS WESTERN SOURCES INCLUDING ANTI-AIRCRAFT GUNS FROM SWEDEN, HELICOPTERS FROM FRANCE, AND AIRCRAFT ENGINES FROM GREAT BRITAIN. (FOR A MORE DETAILED ACCOUNT OF FREIGN MILITARY ASSISTANCE TO YUGOSLAVIA, SEE FOMA, DDB-1940-1-78, PART VII PP VII-97 TO VII-102, DATED MARCH 1978.) WE ARE UNABLE TO ATTACH A MONETARY COST TO THE MILITARY EQUIPMENT REQUIRED BY YUGOSLAVIA FROM FOREIGN SOURCES. (SEE 3 (A) (6) ABOVE)

3. REF C PARA 3 POINTS OUT THAT ANY POST WHERE HOST COUNTRY IS EXPECTED TO PURCHASE DEFENSE ARTICLES OR SERVICES ON A COMMERCIAL BASIS SHOULD ALSO SUBMIT A RESPONSE TO PARA 3B(3) (D) REF A. WE DO NOT BELIEVE THIS APPLIES TO YUGOSLAVIA. ALTHOUGH YUGOSLAVIA DOES ATTEMPT TO PURCHASE CERTAIN MILITARY ITEMS IN THE US ON A COMMERCIAL BASIS, THESE ARE NOT RPT NOT DISCUSSED WITH THE EMBASSY. WE BECOME AWARE OF SUCH YUGOSLAV EFFORTS ON THE COMMERCIAL MARKET ONLY AFTER EXPORT LICENSES HAVE BEEN SOUGHT BY THE COMMERCIAL SUPPLIER FROM THE DEPARTMENT OF STATE.

4. REF C PARA 6 ALSO INDICATES A REQUIREMENT TO RESPOND TO REF A PARA 3 (A) (10), WHICH WE CONCLUDE IS ALSO NO APPLICABLE TO YUGOSLAVIA.

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